

CHINA'S WTO ACCESSION AND PNTR: AMERICA'S CHOICE

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Washington, D.C.

May 16, 2000

Thank you very much.

Let me express my deep gratitude to the Women in International Trade for this award. I am grateful not only for myself, but because in honoring me on the conclusion of our historic agreement with China, you also recognize the hard work and exceptional performance of our negotiators -- the China team led by Bob Cassidy and now Don Phillips, together with Christina Lund, Catherine Field, Caroyl Miller Laura Lane, Bill Corbett and Teresa Howes; together with Bob Novick, Peter Scher, Don Johnson and Richard Fisher -- all of whom worked together to do an extraordinary service for our country.

In the coming weeks, Congress will consider this agreement in the context of its debate on permanent Normal Trade Relations for China. As it does so, it will debate questions that touch on the economic prospects of Americans on the farm and on the job; on reform, human rights and the rule of law in China; and on the fundamental national security interest we have in a peaceful, stable and mutually beneficial relationship with the world's largest nation.

TRADE IMPLICATIONS

This will be the most important trade and foreign policy decision America makes this year; perhaps the most important in many years. But at the basic level, the WTO accession and PNTR are trade issues of the type all of us tonight have addressed throughout our careers.

And with respect to the trade policy merits, while the choice is important, it is also simple. Our agreement on WTO accession secures broad-ranging, comprehensive, one-way trade concessions on China's part. These concessions:

- Open China's markets to American exports of industrial goods, services and agriculture to a degree unprecedented in the modern era.
- Strengthen our guarantees of fair trade.
- Give us far greater ability to enforce China's trade commitments.
- And facilitate the WTO accession of Taiwan, which has made an equally valuable set of market access commitments.

By contrast, we change no market access policies -- not a single tariff line. We amend

none of our trade laws. We change none of our laws controlling the export of sensitive technology. We agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations status permanent.

This is the only policy issue before Congress. Regardless of our decision, China will enter the WTO. Regardless of our decision, it will continue to sell in the American market. The only question Congress will decide is whether we accept the benefits of China's accession and the agreement we negotiated; or whether by turning away from permanent NTR, we enable our competitors to get them while Americans are left behind.

PRINCIPLES OF TRADE POLICY

From the strict perspective of American economic self-interest, there is little reason to say more. But our debate on China's accession to the WTO will also affect the broader goals at the foundation not only of American trade policy, but America's role in the world.

We can trace the institution China will join in the coming months to the last message President Franklin Roosevelt sent to Congress, seventeen days before his death. In this letter, Roosevelt called the GATT initiative a chance to "lay the economic basis for the secure and peaceful world we all desire." He closed this message by saying:

"The point in history at which we stand is full of promise and danger. The world will either move toward unity and widely shared prosperity, or it will move apart... We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren will live."

The record ever since has been one of sustained and lasting commitment to that goal: from the foundation of the GATT in 1948, through our most recent initiatives on duty-free cyberspace and the Africa and Caribbean Basin legislation which passed Congress last week. Through this work, over more than a half a century, Americans have created –

- Growth and Rising Living Standards: The opening of world markets has helped to spark what is in effect a fifty-year boom: since 1950, trade has expanded fifteen-fold; world economic production grown six-fold; and per capita income nearly tripled. And the result has been historically unprecedented social progress: since the 1950s, world life expectancy has grown by twenty years, infant mortality dropped by two-thirds, and famine receded from all but the most remote or misgoverned corners of the world.
- Economic Security: In the Asian financial crisis of 1997-99, with 40% of the world in recession, the respect WTO members had for their commitments kept open the markets necessary for affected nations to recover. Thus the system of mutual benefit and rule of law represented by the WTO helped prevent a cycle of protection and retaliation like that

of the 1930s; and ultimately to avert the political strife that can erupt in economic crisis.

- Peace and Stability: The trading system has helped us address political challenges fundamental to world peace and stability. It helped reintegrate Germany and Japan in the 1950s, and then nations emerging from colonial rule in the 1960s and 1970s. It has now taken up a task of equal gravity, as after the Cold War, nations breaking with communist planning seek WTO membership to reform their economies and integrate with the world.

ONE-WAY CONCESSIONS

One of these nations is China -- the world's largest nation, and for decades one of the great enemies of the system of free markets and the rule of law which we have built over half a century. China has now agreed to join this trading system, through a comprehensive and historic set of trade commitments. As China enters the WTO, it will adopt the full range of WTO commitments and obligations.

American farmers and ranchers will see new markets open across the board. On U.S. priority products, China's agricultural tariffs will drop from an average of 31% to 14% in January 2004. Access for bulk agricultural products like wheat, rice, corn, cotton and soybean oil will grow through tariff-rate quotas and rights for private trade in these products. China will end import bans, cap and reduce trade-distorting domestic supports, eliminate export subsidies, and base border inspections on science.

For university towns and high-tech centers, China will eliminate tariffs and quotas on high-tech goods semiconductors, pharmaceuticals and computers. It will cut tariffs deeply on medical equipment, scientific instruments and other high-value products. It will give us new tools to protect the results of our research on software, semiconductors and other intellectual property-related goods, and eliminate forced technology transfer as a condition for investment.

Manufacturing firms and workers will see new export opportunities and stronger guarantees of fair trade, from steel to autos, agricultural equipment, wood products, and home appliances. Chinese tariffs on industrial goods will drop, from an average of 25% in 1997 to 9.4% by 2005. China will allow distribution and trading rights. We will eliminate unfair investment practices like local content requirements and forced technology transfer. Beyond this, we will guarantee our right to use special methods to fight dumping for 15 years, and create a "product-specific safeguard" we can use to fight market-disrupting import surges for 12 years.

Our services industries -- the most dynamic and technologically sophisticated in the world -- will see China open markets, adopt modern and fair regulatory policies, and create opportunities in the full range of sectors: distribution, telecommunications, financial services, insurance, the professions from international law to accounting and management consulting; business and computer services, motion pictures, environmental services, law, architecture, construction, travel and tourism, and other industries. China will participate in the WTO's newest

agreements on Financial Services and Basic Telecommunications.

All these commitments are detailed, specific, bound by clear time-tables and thus fully enforceable: through our trade laws; WTO dispute settlement; multilateral pressure from all 135 WTO members; increased monitoring by the U.S.; and other mechanisms such as the special anti-dumping and anti-import surge remedies.

Finally, China's entry will facilitate the entry of Taiwan into the WTO, as Taiwan's new leadership has noted in its formal support for China's membership and normalized trade with the U.S.. Taiwan's accession will have substantial direct trade benefits for the US, as Taiwan is already a larger export market for us than is China. And the opening of both economies, while we have no guarantees, may ultimately play some part in easing tensions in the Taiwan Strait.

WTO ACCESSION AND CHINESE REFORM

As China implements these historic set of commitments, it will, more fully than ever before, integrate itself into the Pacific and regional economies. It will come closer than ever before to fulfilling its proper role as a source of growth and opportunity for its Pacific neighbors, as well as for Americans. And it will alter and reform policies dating to the very earliest years after the Communist revolution.

- For the first time since the 1940s, it will permit foreign and Chinese businesses to import and export freely from China.
- It will reduce, and in some cases remove entirely, state control over internal distribution of goods and the provision of services.
- It will enable, again for the first time since the 1940s, foreign businesses to participate directly in information industries such as telecommunications, including the Internet.
- And it will subject government decisions in all fields covered by the WTO to impartial dispute settlement when necessary – the first time China has ever made such a commitment in any international accord.

Many Hong Kong and Chinese activists for democracy and human rights see such commitments as remarkable victories for reform. They include Bao Tong, jailed for seven years after Tiananmen Square, whose appeal to the UN Human Rights Commission drew worldwide sympathy last month; Martin Lee, the leader of Hong Kong's Democratic Party, who made a special trip to the United States to call on Congress for support for PNTR; Ren Wandong, a dissident and founder of China's modern human rights movement. All believe this is the most significant reform China has made in two decades.

U.S. INTERESTS IN THE PNTR DEBATE

Tomorrow morning, Congress will open the debate on our sole obligation in this historic process: the extension of permanent Normal Trade Relations.

From the trade perspective, again, this is a simple issue. Economically, the United States has much to gain, and nothing to lose, through granting permanent NTR. We have much to lose, and nothing to gain, by rejecting it.

From the perspective of reform and opening in China, rejection of PNTR is a setback to reformers and a support and validation to those who seek to slow the movement toward economic opening and development of the rule of law.

But the full significance of Congress' decision is only clear when we consider the WTO accession as part of the larger U.S. relationship with China, with its fundamental importance to peace and security in Asia and worldwide. With this debate, we have reached a moment much like that Roosevelt spoke of in his message to Congress: one of great promise and danger; one which our grandchildren may well see as a turning point, for good or for ill, in the history of the 21st century.

U.S.-CHINA RELATIONSHIP IN THE 21ST CENTURY

China is the world's largest country. Over the past decade, it was the world's fastest-growing major economy. The future course of our relationship will thus have great bearing on American security and strategy in the 21st century. And today, as we all know, our relationship with China today is free neither of deep-seated policy disagreements nor moments of tension.

We have substantial differences with China on issues relating to human rights and religious freedom; on a number of security questions; at times with respect to stability in the Taiwan Strait. In these we vigorously assert our interests and values, and we will continue to do so. But we also recognize how important a stable and peaceful relationship with China is -- for the Chinese, for the world, and for America -- and accept our responsibility, as long as the Chinese do likewise, to act upon areas in which we share interests and benefits.

We saw this responsibility clearly in the Asian financial crisis two years ago. We see it in the maintenance of peace on the Korean peninsula; the environmental problems of the Asia-Pacific; and we have acted upon it for more than a quarter century in trade. And WTO accession, together with permanent Normal Trade Relations, will be the most significant step in this process in many years.

Moreover, this is a step we will take through a series of one-way concessions made by China. That is why the debate which begins next week is of such fundamental importance: to reject a comprehensive set of one-way concessions, I believe, is to make a very dark statement about the future possibility of a stable, mutually beneficial relationship with the largest nation in the world.

Such a stand would threaten every single interest we have in China. It would complicate for the foreseeable future our Pacific alliances, as our Asian friends and allies would view

rejection of PNTR as an unnecessary rejection of stable and constructive relations with their largest neighbor; and a turn away from the open, confident vision we have held for the Pacific over many years.

Over the long term, and perhaps most important, China -- seeing no economic reason for our decision -- would become more likely to read hostile intent into our every move. This in turn would raise the prospect that our present disagreements and tensions will escalate into something more dangerous for us, for the Chinese and for our Pacific neighbors.

CONCLUSION

But if we make the right choice, the WTO accession and PNTR offer us a remarkable opportunity: to help spur growth and opportunity at home; to strengthen prospects for long-term reform within China; and ultimately to help build a relationship with China that strengthens guarantees of peace and security for the world.

That is the opportunity before us, if we have the wisdom and the confidence and the vision that Americans had in the era of Roosevelt and Truman. This is why Americans – on the job, on the farm, on our military bases – have more at stake in this vote than in any other decision our government will make in this millennial year. And this is why it is so important that we approve permanent Normal Trade Relations for China, on the basis of our historic agreement.

Once again, my sincere gratitude for honoring me this evening. I thank you very much.